

Date: March 17, 2015

To: Thomas J. Bonfield, City Manager

Through: W. Bowman Ferguson, Deputy City Manager

From: Joel V. Reitzer, Jr., Director, General Services Department

Subject: Second Amendment to the Hillandale Golf Course Management Agreement between the City of Durham and AMERAZIL GOLF, LLC

Executive Summary

The City of Durham proposes to amend the management agreement with AMERAZIL GOLF, LLC, specifically to extend the agreement by five years through October 24, 2021 with two, five year future optional terms. Additional changes include: An option for Golf Course Manager (AMERAZIL) to contract with third party golfing organizations, to provide maintenance inspections and reporting, and additional language to provide for City assistance with facilities maintenance at City discretion.

Recommendation

The Department of General Services recommends that the City Council:

Authorize the City Manager to execute the 2nd amendment to the Hillandale Golf Course Management Agreement by and between the City of Durham and AMERAZIL GOLF, LLC.

Background

In 2011, SunTrust Bank as trustee of the Durham Foundation – Hillandale Golf Course approached the City with its interest to transfer the deeds to the Hillandale Golf Course to the City of Durham. The City engaged a recognized expert in the golf industry, Spear Consultants Ltd., to review all aspects of the Hillandale Golf Course operation. In summary, Spear Consultants believed the golf course operation was viable going forward without subsidy if certain capital improvements were made to the course and if the structure of the management and operations agreements were modified. During that time, SunTrust negotiated terminations of existing management agreements and entered into a new five year management agreement with AMERAZIL GOLF, LLC to operate and assume all associated financial risk with the golf course. In November 2011, SunTrust transferred those contractual responsibilities to the City of Durham through an assignment of and amendment to the Hillandale Golf Course Management Agreement.

Since the assignment and first amendment to the management agreement, the City and Manager (AMERAZIL) have forged an effective partnership in maintaining successful operations at Hillandale. The Manager has invested significant capital to upgrade the golf shop including interior renovations, grill redesign, computer system updates and the enhancement of the security system; the improved playability on the course is due to strategic infrastructure improvements. The City has also established an Advisory Committee to review golf course operational progress, financial results, capital needs, etc. on a routine basis.

Issues/Analysis

Amending the management agreement and extending the contract for an additional five (5) years is consistent with the recommendation of City Administration. The initial contract term began October 24, 2011 and was to run until October 24, 2016. The term is now proposed to extend until midnight on October 24, 2021.

Additional changes to the contract include:

- **Option for two additional five (5) year terms**
Provides parties with automatic renewals unless notice is conveyed otherwise
- **Option for Manager (AMERAZIL) to contract with third party golfing organizations**
Allow Manager (AMERAZIL) to lease any portion of the golf course property to any ancillary golfing interests that would not create competition for golfing sales revenues or fees.
- **Flexible language for providing City assistance with maintenance**
Provides the City an opportunity to consider golf course facilities needs and address such needs at City's discretion.
- **Maintenance Inspection and Reporting requirements**
Requirement for the Manager (AMERAZIL) to make annual inspections of facilities and provide a condition report to City by October 30th of each fiscal year.

Alternatives

Council may choose not to authorize the Manager to execute this amendment #2 to the Management Agreement and pursue an alternate solution to Hillandale Golf Course management services. City Administration recommends this amendment as an appropriate modification of the contract, acknowledging successful operation and management services at the golf course.

Financial Impacts

Approval of the 2nd contract amendment has no financial impact on the City's Budget.

SDBE Summary

The Equal Business Opportunity Ordinance is not applicable to this agreement.

Attachments

Second Amendment to the Hillandale Golf Course Management Agreement between the City of Durham and AMERAZIL GOLF, LLC.